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Trade Walls Rise Within West Europe

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BRUSSELS, Belgium—Britons won't be eating French turkeys for their Christmas dinner; British health controls shut out the French gobblers.

Belgian packaging regulations for a time effectively banned sales in Belgium of most imported margarine. Danish bottling rules keep French mineral water out of Denmark.

French customs procedures are drying up imports of West German and Dutch videotape recorders. Belgium has ordered its local governments to favor Belgian-made products as long as they are within 20% of the cost of similar imported items. As of Jan. 1, the Greek government will require all industrial imports to be labeled in Greek.

What kind of "Common Market" is this? It certainly isn't the single free-trading unit the European Community's founders had in mind when they created it 25 years ago. Considerable progress towards free trade was made in the Common Market's early years, but the deep recession and rising unemployment have been pushing the Common Market countries back into their protectionist cocoons.

Most "trade war" stories these days tell of battles between the European Community and the U.S., or between the EC and Japan. Less noticed is the fact that the Common Market is embroiled in its own bitter "civil wars" over trade.

All Kinds of 'Gimmicks'

"Hardly a week goes by when you don't hear of some sort of new gimmick to hinder trade" within Western Europe, complains an American heading the Brussels office of a U.S. capital goods concern. Economic nationalism in Western Europe doesn't only hit "outsiders" like the Japanese trying to sell their latest video goods in France or the European plants of U.S. companies, but also affects companies in neighboring EC countries.

Trade barriers don't only cost businesses and consumers money. The mere threat of them creates an uncertain climate. Karl-Heinz Narjes, the EC Commission's policeman of trade within the Common Market, says, "The declining confidence in the success of the internal market is now paralyzing initiative and investment."

The 10 EC countries—West Germany, the United Kingdom, France, Italy, the

Netherlands, Belgium, Luxembourg, Ireland, Denmark and Greece—comprise a vast market of 260 million people. Tariffs were outlawed a few years after the Common Market was formed. Increasingly, though, EC members are slapping on non-tariff barriers that are less obvious infringements of the community's free-trade principles. They include extra red tape at customs ports, import quotas, health and safety standards, "buy national" campaigns, and subsidies to industry.

Indeed, trade barriers have been raised so rapidly in the past year or two that the EC Commission can hardly keep up with

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them. The commission says it handled about 60 complaints annually until recently. Now its caseload is closer to 600.

All countries are sinners, although France and Italy seem to sin more than the rest. Some of the sinning appears to be unintentional, some of it is directed at Japan or other market outsiders, but some of it is clearly designed to hurt other community members. Moreover, attacks on Japan or other non-EC countries frequently wound EC companies as well.

The Poitiers Bottleneck

Take the case of France and videotape recorders. To cut down imports of Japanese VTRs, France has decreed that all VTRs entering France must be cleared through the tiny and relatively inaccessible customs port of Poitiers rather than through the larger and more accessible port of Le Havre. This restriction is a successful barrier to VTRs from Japan—but also to those coming from West Germany and the Netherlands.

To help domestic snail farmers, France applied a similar slowdown on imports of live snails, drastically reducing the number of ports open to this traffic. This put an abrupt halt to the snail trade from Greece.

France's use of such ploys, along with its sudden insistence that all documentation of imported goods be in French, could become even more worrisome for businesses if other member states begin copying them. One Brussels-based U.S. executive reports that France's approach already is spreading to other member states who see the French getting away with it and feel they can "inch up" too.

The EC Commission and the European Court of Justice, both charged with policing infringement of free-trade rules within the community, sometimes get a country to back down. But by that time the protectionist action usually has been in existence, and its effects felt, for many months.

An often-cited problem is the red tape involved in moving goods from one EC country to another. This is time-consuming and costly even in normal times, but in these protectionist days, governments are tempted to make the red tape even thicker. "There are these slowdowns," complains the American who heads the U.S. capital goods company office in Brussels. He suspects that several governments are telling their customs officials to go slow processing imports.

Returnable-Bottle Gambit

Another headache for companies is the proliferation of government standards, including packaging and consumer-protection rules, that in fact are simply protectionist tools. Denmark, for example, protects its soft drink industry by insisting that beverages be sold in returnable bottles. This deters French mineral-water producers, who find it too costly to ship the returned bottles back home for refilling.

The European Court of Justice recently ordered Belgium to stop requiring margarine to be packaged as cubes. The rule, put in place by royal decree years ago, effectively banned margarine imports from West Germany and other EC states, which use rectangular or round packaging. Of course, the Belgian government wouldn't admit to protectionist intentions; it said it was simply helping Belgian consumers differentiate between margarine and butter.

EC Commission officials are currently looking into reports that the British government plans an ambitious ad campaign urging its citizens to "buy British farm products." Even without "buy national" campaigns, EC countries often protect domestic industries through preferential public-procurement policies. These are illegal under EC rules, but countries try nonetheless—and often get away with it.

Some countries simply put a new type of tax on imports. Just before Italy's Giovanni Spadolini government fell last month, for instance, it was preparing to impose a special 10% tax on foreign-currency payments for imported goods. There is considerable fear that the new Amintore Fanfani government will impose the tax, reports Mogens Andersen, director of textiles for Monsanto Europe S.A., which produces in several EC countries.